

# THE TAX MAN COMETH FOR HOME SELLERS But... not if we can help it!



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*unforgettable property transformations*

131 South Lincoln Avenue  
Park Ridge, Illinois 60068  
847.384.9369

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# "GIMME GIMME GIMME!"

- Uncle Sam, Tax Collector

Another POSTIVE reason why home sellers can benefit from Home Staging is because the fees for a staging services can be considered an advertising fee (See web link below IRS Publication 523) and influence a seller's capitol gain or loss on a property that has been sold.

- **What is IRS Publication 523 and what does it say?** IRS Publication 523 explains all tax rules that apply when a home seller sells their main home, including advertising expenses and how they influence the seller's capital gain or loss on the property. It does not cover the sale of a rental property, second home or vacation home.
- **What does IRS Publication 523 consider seller's main home?** The term "main home" usually refers to the home the seller lives in most of the time. A main home can be a house, houseboat, mobile home, cooperative apartment, or condominium.
- **How is capital gain or loss figured on the sale of a seller's main home?** In order for a home seller to calculate the capital gain or loss realized on the sale of their main home, they must know the selling price, the amount realized and the adjusted basis.
- **What is the selling price?** The selling price is the total amount a seller receives for the sale of their home, including money, all notes, mortgages, or other debts assumed by the buyer as part of the sale and the fair market value of any other property or services they receive.
- **What is the amount realized?** The amount realized is the selling price minus selling expenses. Selling expenses include commissions, **advertising fees\***, legal fees and loan charges paid by the seller.  
\*Staging a home for re-sale can be considered an Advertising fee. There are no time limits on the Advertising Fees related to the sale for the IRS. However, it is important to note that if a property does not sell and is taken off the market: expenses for that transaction are NOT deductible in the future.
- **What is the adjusted basis?** During the duration of ownership of a main home, increases or decreases (adjustments) may have been made to the basis (base cost, either bought or built, of home). This adjusted basis must be determined before capital gain or loss can be figured on the sale of the home. There are many rules when computing the adjusted basis. Consult a Tax Adviser to accurately determine the adjusted basis.

To quickly estimate capital gain or loss, apply the following formulas:

First Calculate: **AMOUNT REALIZED** = Selling Price - Selling Expenses

Next Calculate: **CAPITOL GAIN/LOSS** = Amount Realized - Adjusted Basis

**IMPORTANT: EVERY HOME SALES TRANSACTION IS DIFFERENT.** TO KNOW HOW THIS TAX RULE EFFECTS A PARTICULAR HOME SALE IN YOUR STATE, PLEASE CHECK WITH A TAX ADVISER OR TAX CONSULTANT REGARDING IRS PUBLICATION 523 AND HOW IT MAY AFFECT YOUR SELLER'S INDIVIDUAL TAX SITUATION. More information on IRS Publication 523 can be found on line at: <http://www.irs.gov/publications/p523/index.html>



The above information, authored by Craig Schiller of Real Estaging, was selected to be a **FEATURED POST** March30, 2007 on ActiveRain.com. ActiveRain is an online informational resource serving the real estate industry.